

FY 2013-14 Governor's Budget
Office of AIDS

Summary

Under this proposal, the Office of AIDS (OA) programs which receive state General Fund include the HIV/AIDS surveillance program and the AIDS Drug Assistance Program (ADAP), which includes the Insurance Assistance Programs.

- There are no changes proposed in the \$6.65 million General Fund support for the HIV/AIDS Surveillance program.
- There are no Current Year (FY 2012-13) changes proposed in General Fund support for ADAP. In the Budget Year (FY 2013-14), ADAP will return \$16.9 million to the General Fund, made possible by
 - the transition of eligible clients to the Low Income Health Program (LIHP), and
 - an increase in ADAP Special Fund revenue due to an increase in the drug rebate rate from 56 to 60 percent.
- No new major ADAP policy changes with substantial fiscal impact are included in the proposed budget.
 - A small increase in ADAP pharmacy benefits manager transaction costs is included (\$779K in FY 2012-13 and \$671K in FY 2013-14) due to the federal Health Resources and Services Administration mandate to implement six-month ADAP client eligibility re-certification.
 - Estimated savings due to the 2014 transition of ADAP clients to Medi-Cal Expansion and the California Health Benefits Exchange will be presented in the *2013-14 May Revision* (see page 49-52, Future Fiscal Issues section of ADAP Estimate).

ADAP Detail

Funding

ADAP is funded with state General Fund, federal funds, ADAP Special Fund (pharmaceutical manufacturer rebates), and Reimbursement funds.

FY 2012-13 (the current budget year, through June 30, 2013)

- The Enacted Budget included ADAP local assistance funding of \$448.4 million, of which \$16.9 million was state General Fund. The revised FY 2012-13 budget is \$468.6 million, an increase of \$20.2 million mainly due to reduced savings estimates from the transition of ADAP clients into the LIHP. In spite of this budget increase, the proposed budget contains the same \$16.9 million General Fund appropriation without any cuts to services due to a \$12.3 million increase in federal funds and a \$7.9 million increase in ADAP Special Fund expenditure authority.

FY 2013-14 (the next budget year, starting July 1, 2013)

- Proposed funding for the budget year is \$435.7 million. The decrease of \$32.9 million compared to the revised current year is due primarily to clients transitioning to LIHP. Changes to ADAP's budget authority include the following:
 - Increase of \$49.2 million in Reimbursement funds.
 - Return of \$16.9 million to the General Fund.
 - Decrease of \$20.7 million in federal funds.
 - Decrease of \$44.5 million in ADAP Special Fund expenditure authority.
- OA will utilize Reimbursement funds for the estimated expenditures for which OA cannot use Ryan White federal funds or ADAP rebate funds. These expenditures include expenditures for ADAP and OA's Health Insurance Premium Payment Program (OA-HIPP) clients with a Medi-Cal share of cost , expenditures for potentially LIHP eligible OA-HIPP or OA Pre-Existing Condition Insurance Plan clients, and transaction fees invoiced by ADAP's pharmacy benefits manager for the administrative costs associated with managing prescription transactions that are ultimately identified as not eligible for ADAP payment.

More details about these changes in ADAP costs and in Federal and state General Fund can be seen in the Fund Condition Statement found starting on page 31 of the ADAP Estimate.

ADAP Utilization

Approximately 40,506 individuals received ADAP services in FY 2011-12. It is estimated that 40,464 individuals will receive services in FY 2012-13 and 37,167 individuals will receive services in FY 2013-14 (page 34, ADAP Estimate).

Transition of Clients to Low Income Health Program

The California Department of Health Care Services' program, LIHP, phases in health coverage for adults ages 19-64 years with incomes up to 200 percent of the federal poverty level, as determined by each county, who are not otherwise eligible for Medi-Cal (page 9, ADAP Estimate). As a result, some clients are shifting from ADAP to LIHP. Thus, OA estimated the following savings (pages 9-20, ADAP Estimate):

- For FY 2012-13, estimated net savings of \$68.7 million (consisting of a \$74.8 million reduction in ADAP expenditures and a \$6.1 million reduction in rebate revenue).
- For FY 2013-14, estimated net savings of \$121.7 million (consisting of a \$172.7 million reduction in ADAP expenditures and a \$50.9 million reduction in rebate revenue).